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SUBJECT: SCO AND BRIC SUMMITS IN YEKATERINBURG: ECONOMIC COOPERATION, CHINESE LOANS, NON-PROLIFERATION, AND MULTIPOLARITY

¶1. Summary: Meeting in Yekaterinburg July 15 and 16, members of the Shanghai Cooperation Organization (SCO) and the world's biggest emerging markets (BRIC - Brazil, Russia, India, China) demanded a greater say in the global financial system. Leaders stressed the need to reflect a multipolar reality in international institutions, and the importance of regional approaches to resolving global problems. Leaders supported the Nuclear Non-Proliferation Treaty and U.S.-Russian talks on strategic arms control. The BRIC meeting notably did not result in a move to establish additional reserve currencies. India and Pakistan met together on the margins. End summary.

¶2. Yekaterinburg, a city of one million residents in the heart of the Urals region of Russia, hosted around 3,000 guests for the Shanghai Cooperation Organization Summit and the first summit of BRIC leaders. Security was heavy as President of Russia Dmitriy Medvedev, President of Tajikistan Emomali Rakhmon, President of Kyrgyzstan Kurmanbek Bakiev, President of Kazakhstan Nursultan Nazarbaev, President of Uzbekistan Islam Karimov, President of China Hu Jintao, Secretary General of the SCO Bolat Nurgaliev, Prime Minister of India Mahmohan Singh, President of Iran Mahmoud Ahmadinejad, President of Pakistan Asif Ali Zardari, President of Afghanistan Hamid Karzai, President of Brazil Lula da Silva, and First Deputy Prime Minister of Mongolia Norovin Altanhuyag arrived. Ahmadinejad did not arrive until Tuesday, citing personal reasons. Russia, China, Uzbekistan, Tajikistan, Kazakhstan, and Kyrgyzstan are SCO members while Afghanistan, Pakistan, Mongolia, and Iran were invited as observers.

¶3. The summit kicked off with the opening of a Consulate General of Tajikistan in Yekaterinburg by the President of Tajikistan and Sverdlovsk oblast Governor Eduard Rossel. The first group session, of principals only, began at 5 pm, followed by dinner hosted by President Medvedev. SCO plenary and working group sessions, in which observers participated, took place on June ¶16. The Yekaterinburg Declaration and a Joint Communique were issued after lunch. BRIC meetings began mid-afternoon on June ¶16. President Medvedev and President Hu then traveled to Moscow where Hu is beginning a state visit.

SCO Results - Chinese Loans, Economic Cooperation, Nonproliferation, New Participants

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¶4. The pressing need for deepened economic cooperation to bring about recovery from the economic crisis was high on the agenda. The leaders agreed to upgrade the SCO's Business Council and Inter-Bank Union from mainly bilateral to multilateral activities so that member states can better coordinate financial and monetary policies to push for growth and recovery. China pledged a \$10 billion line of credit for joint economic projects

within the SCO framework, as well as a \$1 billion line of credit for Russia's Ex-Im bank equivalent, a portion of which will be used to finance infrastructure projects in Sverdlovsk region.

¶ 15. In both the Yekaterinburg Declaration and Final Communiqué, SCO heads of state pledged greater unity, increased economic cooperation, and firm resolve to combat terrorism. In the Declaration, the leaders affirmed that the Nuclear Non-Proliferation Treaty (NPT) must be the foundation for controlling the spread of nuclear weapons, which can be accomplished if all signatories fulfill all their NPT obligations. They welcomed the entry into force on March 21, 2009 of the Agreement on Nuclear Free Zones in Central Asia. Member states also welcomed the beginning of Russian-American talks on reductions of strategic offensive arms. Leaders called for reform of the UN Security Council and international financial institutions to reflect strength of emerging economies, creating a "more balanced and just" world order based on international law. A Convention against Terrorism was signed to strengthen the legal framework of SCO countries to combat terrorism, separatism, and extremism as well as drug trafficking and transnational organized crime. Problems of money laundering and safeguarding energy pipelines were also discussed.

¶ 16. As member states discussed the SCO's expansion, Sri Lanka and Belarus were given the status of dialogue partners. Uzbekistan took over the SCO chairmanship Tuesday, and next year's summit will be held in Tashkent.

#### SCO on North Korea, Iran

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¶ 17. Speaking to the press in Yekaterinburg just before the SCO opened, Russian Deputy Foreign Minister Sergey Ryabkov said that issues related to North Korea would not be on the agenda because "The UN Security Council adopted a sufficiently serious resolution on this subject not long ago, therefore we consider it excessive to talk about this problem in the current forum." However, the subject was raised and member states supported the resumption of negotiations on the denuclearization of the Korean peninsula. According to Chinese sources, SCO leaders agreed that last month's underground nuclear test by North Korea was unacceptable. On Iran, Ryabkov said that Russia welcomed the fact that elections took place and welcomed the new president on Russian soil.

#### Ahmadinejad Criticizes U.S.

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In his statement to the SCO plenary on June 16, Iran's President Ahmadinejad said that current regional conflicts and the global economic downturn have demonstrated that the unipolar world dominated by the United States is not viable. He continued, saying that since the U.S. and its allies have not been able to cope with the problems, the end has come for the unipolar world order. He criticized the "occupation" of Iraq and urged the SCO to lead in efforts to tackle the global financial crisis.

#### BRIC Avoids Criticism of Dollar

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¶ 18. At the BRIC summit, Brazil, Russia, India and China called for a more diversified international monetary system but avoided any explicit criticism of the world's dominant currency, the US dollar. In contrast, speaking to reporters before the opening summit session, President Medvedev said that the share of sovereign currencies in mutual trade within the Shanghai Cooperation Organization (SCO) should be increased to reduce dependence on international reserve currencies. "We must strengthen the international currency system not only by strengthening the dollar's position, but also by creating new reserve currencies and possibly by eventually creating supranational payment instruments and means of settlements," he said, adding that regional countries could invest in each other's financial instruments. The final statement did not contain any references to developing new reserve currencies to complement the dollar, saying only, "There is a strong need for a stable, predictable and more diversified international

monetary system." A reformed financial and economic architecture should be based on "democratic and transparent decision-making and implementation process at the international financial organizations." BRIC nations urged the international community to keep the multilateral trading system stable, curb trade protectionism, and stressed a commitment to "advance the reform of international financial institutions to reflect changes in the world economy." Brazil will host the next BRIC summit in 2010.

#### But Wants Greater IFI Role

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¶ 9. At both SCO and BRIC meetings, leaders repeated long-standing calls that emerging economies such as Brazil, Russia, India and China be given greater representation at the International Monetary Fund and the World Bank. Final documents called for broader cooperation in the energy sphere, and diversification of energy resources and energy transit routes. They also called for a "more democratic and just multipolar world order based on the rule of international law, equality, mutual respect, cooperation, coordinated action, and collective decision making of all states." This wording reflects a longtime call by Russia for a bigger say in global affairs to counter the weight of the U.S.

#### Important Meetings on the Margins

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¶ 10. Medvedev met with presidents of Afghanistan and Pakistan in a new tri-partite format. Speaking to reporters Medvedev said that this new format is useful because common problems such as terrorism and transnational crime can be resolved only through collective efforts. Karzai called the meeting the first step to broader cooperation in resolving common problems and increasing trade and access to regional economies. Zardari commented that "this mission imposes on us a new responsibility, including the fight against terrorism, with that swollen cancer that constitutes a threat to my country, for Afghanistan, for our countries, and also for the entire world." Medvedev also had one-on-one meetings with President Lula da Silva and Indian Prime Minister Singh. Local press reported that Prime Minister Singh and President Zardari also met for the first time since the Mumbai bombing.

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